



**HOLIDAY HOMEWORK
CLASS XII CBSE**

**SUMMER BREAK 2018-19
SUBJECT : ECONOMICS**

CH.1 INTRODUCTION TO ECONOMICS

REMEMBERING

- Q1. Define Production Possibility Curve. 1
- Q2. What do you mean by opportunity cost? 1
- Q3. Define marginal rate of transformation. 1
- Q4. Draw a hypothetical production possibility schedule. Plot PPC from it. What is the basic feature of the production possibility schedule which determines the shape of production possibility curve? 4
- Q5. Explain the concept of shift in PPC 4
- Q6. Why production possibility curve is concave to origin? 4
- Q7. Explain the shape of PPC. 4

UNDERSTANDING

- Q1. What does a movement from one point on a PPC to another point on the same PPC represent? 1
- Q2. Why does marginal rate of transformation increases with increase in units of one commodity produced? 1
- Q3. Under what conditions marginal opportunity cost (marginal rate of transformation) remains constant at all output levels? 1
- Q4. How does a rational person uses the concept of opportunity cost in decision making process. 1
- Q5. Explain the concept of production possibility curve. 3
- Q6. Why a production possibility curve is termed as production possibility frontier of the economy? 4
- Q7. Explain giving reasons the changes that take place in marginal rate of transformation when production of commodity X is increased. Use production possibility schedule. 4
- Q8. How the production possibility curve can be used to represent underutilisation or inefficient use of resources in the economy? 4
- Q9. Explain the difference between movement from a point on PPC to another point inside the PPC and the movement from a point on higher PPC to lower PPC. 4

APPLICATION BASED

- Q1. Fill in the blanks for the given production possibility schedule 4

Combination	Commodity X	Commodity Y	Marginal Rate Of Transformation.
A	0		
B	1	25	2
C	2		
D	3	16	6
E	4		
F	5	0	9

Q2. Fill in the blanks for the given production possibility schedule

4

<i>Combination</i>	<i>Commodity X</i>	<i>Commodity Y</i>	<i>Marginal Rate Of Transformation.</i>
<i>A</i>	<i>0</i>	<i>30</i>	
<i>B</i>	<i>1</i>		<i>2</i>
<i>C</i>	<i>2</i>		<i>4</i>
<i>D</i>	<i>3</i>	<i>18</i>	<i>6</i>
<i>E</i>	<i>4</i>	<i>10</i>	
<i>F</i>	<i>5</i>	<i>0</i>	

EVALUATION, HIGH ORDER THINKING SKILLS

- Q1. What do you mean by "Resources are given and fixed". Explain its implication on the shape of PPC. 3
- Q2. State the main assumptions of production possibility curve. What is the implication of fuller and efficient utilisation of resources on PPC? 3
- Q3. "An economy always produces on its PPC." Defend or refute. 4
- Q4. Explain the concept of economic trade off with the help of a production possibility curve. 4
- Q5. Due to recession the export demand for Indian goods has drastically decreased. How it will affect the production possibility curve for the Indian economy. Give reasons in support of your answer. 4
- Q6. A massive earthquake has led to destruction of lives and industries. How it will affect the production possibility curve of the area. Give reasons in support of your answer. 3
- Q7. In order to remove the problem of unemployment in the economy, Government has announced the development of more industries in the economy. How it will affect the production possibility curve for the economy. Also identify the value represented by the government in this situation. 4
- Q8. **Giving reasons, state true or false for following statements** 1.5
- A movement from a point on the PPC to a point inside the PPC represents destruction of resources in the economy.
 - An economy always operate either on its PPC or inside its PPC.
 - An economy can never achieve the output outside the PPC of the economy.
 - Massive unemployment leads to a leftward shift in PPC
 - Unemployment problem is studied under micro economics.
 - Production possibility curve shifts towards right when an economy moves from a situation of underutilisation to fuller utilisation of resources.
 - Production possibility frontier is concave shaped as production of one good can be increased only by reducing quantity of another good.
 - The opportunity cost of a machine which can produce only one product is high.
 - Economising of resources refer to saving resources for future use.
 - The government initiative to increase employment opportunities by setting up new industries will result in a movement along the production possibility curve.
 - The PPC can be shifted to right only by increasing the quantity of resources or by making an improvement in technology in the production process.
- Q9. Will economic growth necessarily involve a parallel outward shift in the production possibility curve? Explain. 4

UTILITY ANALYSIS

ASSIGNMENT

1 MARK QUESTIONS

- Q1.** Comment on the nature of marginal utility if total utility derived from the commodity increases at a diminishing rate.
- Q2.** What will be value of marginal utility when the total utility derived from the commodity becomes maximum and constant?
- Q3.** How does change in income of the consumer affects the marginal utility of money for the consumer?
- Q4.** How total utility can be derived from marginal utility curve?
- Q5.** Define level of saturation.
- Q6.** Why consumption is treated as a continuous process in law of diminishing marginal utility.
- Q7.** Define consumer surplus.
- Q8.** Comment on the changes in consumption behaviour, when the marginal utility per unit of price for commodity A, is greater than the marginal utility per unit of price for commodity B.
- Q9.** Give the conditions for consumer equilibrium in case of consumption of two commodities by the consumer.
- Q10.** Starting from the initial equilibrium condition, if the marginal utility of money increases then how it will affect the consumption behaviour of the consumer.

3 OR 4 MARKS QUESTIONS

- Q11.** Explain the relationship between total utility and marginal utility with the help of a diagram.
- Q12.** From the following information, estimate Total Utility derived by the consumer.

Units	1	2	3	4	5	6	7
Marginal Utility	10	9	8	7	6	5	4

- Q13.** From the following information, estimate marginal utility derived by the consumer.

UNITS	1	2	3	4	5	6	7
Total Utility	20	38	54	68	70	80	88

- Q14.** Explain the concept of consumer equilibrium in case of consumption of one commodity by the consumer.
- Q15.** Mr. Joydeep has consumed 4 chocolates. The marginal utility derived by him from 4th chocolate is 80 utils. If the marginal utility of money for him is 5 utils and the price of chocolate is Rs. 16 per unit. Comment on the consumption behaviour of Mr. Joydeep.
- Q16.** How an increase in price of the commodity affects the consumption behaviour of the consumer in case of consumption of one commodity.
- Q17.** If the marginal utility of money for the consumer increases, how it will affect the consumption behaviour of the consumer.
- Q18.** If the marginal utility per unit of price for the commodity A becomes lesser than the marginal utility per unit of price for the commodity B, how it will affect the changes in the consumer behaviour in relation to commodities.
- Q19.** The price of commodity A is Rs. 25 per unit. The marginal utility of money for the consumer is 10. Comment on the consumption behaviour when the marginal utility derived by the consumer from the nth unit of the commodity is 300 utils.
- Q20.** A person's marginal utility schedule is given below. If the price of the commodity is Rs. 3, how the consumer equilibrium will be determined.
- | | | | | | | | |
|-------------------|---|----|---|---|---|---|---|
| Quantity Consumed | : | 1 | 2 | 3 | 4 | 5 | 6 |
| Marginal Utility | : | 10 | 8 | 7 | 6 | 3 | 0 |
- Give reasons in support of your answer.

- Q21.** If at a given quantity the marginal utility derived by the consumer from the commodity is greater than the price of the commodity then explain, giving reasons, the changes that will take place in the consumption behaviour to reach the level of maximum satisfaction.
- Q22.** The consumer is at equilibrium level while consuming two commodities (X and Y) at the given prices. If the price of the commodity X increases, explain, giving reasons, the changes that will take place in the consumption behaviour of the consumer.
- Q23.** Water is a basic necessity for the human life where as diamond is a luxury good for the commodity. However the price of diamond is very high as compared the price of water (Water Diamond Paradox). Explain using utility analysis.
- Q24.** The marginal utility of the last unit of X consumed is twice the marginal utility of the last unit of Y consumed. If the consumer is in equilibrium then giving reasons comment on the ratio of the price of two commodities.
- Q25.** Giving reasons, state whether the following are true or false:
- When TU is maximum and constant , MU is zero.
 - When TU is maximum , MU is zero.
 - With increase in units of the commodity consumed, TU increases at an increasing rate.
 - When MU is decreasing, TU also decreases.
 - Consumer surplus represents the difference between the satisfaction derived by the consumer and the sacrifice made by the consumer on the additional unit of the commodity consumed.
 - Any change in money income of the consumer does not affect the consumer equilibrium.
 - If the marginal utility derived by the consumer is greater than the price of the commodity then the consumer will prefer to consume less of the commodity.

6 MARKS QUESTIONS

- Q26.** "The level of maximum satisfaction is achieved only at a level where the marginal utility derived by the consumer (in terms of money) becomes equal to the price of the commodity". Comment
- Q27.** Explain the concept of consumer equilibrium when the consumer consumes a combination of two commodities.
- Q28.** On the basis of following data, estimation the combination of two commodities X and Y which will give maximum satisfaction to the consumer. Price of X = Rs. 5 per unit and Price of Y = Rs. 4 per unit
Money income of the consumer = Rs. 58

Units	1	2	3	4	5	6	7	8	9
MU _X	100	90	80	70	60	50	40	30	20
MU _Y	100	88	80	68	60	48	40	28	24

Give reasons for your answer.

INDIFFERENCE CURVE ANALYSIS**1 MARK QUESTIONS**

- Q1. Define ordinal utility.
- Q2. What does a downward movement along the indifference curve represents?
- Q3. What do you mean by monotonic preferences?
- Q4. Write the equation of a budget set.
- Q5. Define budget line.
- Q6. What does the Y-axis intercept of budget line represents?
- Q7. Define market rate of exchange in terms of prices?
- Q8. Define market rate of exchange in terms of goods?
- Q9. State the necessary conditions of consumer's equilibrium in the Indifference curve analysis.
- Q10. If the marginal rate of substitution is greater than the price ratio of the two commodities, what will be the changes in consumer behaviour?
- Q11. If the slope of budget line is more than the slope of indifference curve then how will the consumer behaviour change in order to achieve maximum satisfaction?
- Q12. Why an indifference curve is made convex to origin.

3 OR 4 MARKS QUESTIONS

- Q1. Explain the concept of indifference curve with the help of indifference schedule.
- Q2. Explain the concept of budget line with the help of mathematical expression and a diagram.
- Q3. State the determinants of budget line. What happens when price of one commodity decreases keeping other determinants of the budget line constant?
- Q4. What is consumer equilibrium. State its conditions under indifference curve analysis.
- Q5. If the marginal rate of substitution is greater than the market rate of exchange (slope of budget line) then how it will affect the consumption behaviour of the consumer.
- Q6. Define budget line. How will the budget line change if :
 - (i) Price of X falls keeping price of Y constant.
 - (ii) Price of X falls and Price of Y increases simultaneously.
- Q7. What do you mean by monotonic preferences? What is the implication of monotonic preferences on indifference curve analysis?
- OR Why does a higher indifference curve represents a higher level of satisfaction to the consumer?
- Q8. "Two indifference curves can never intersect" comment.
- Q9. At a given consumption level the market rate of exchange for the two commodities is greater than the marginal rate of substitution between the two commodities. Explain giving reasons the changes that will take place in the consumption behaviour of the consumer.

6 MARKS QUESTIONS

- Q1. Explain the shape of indifference curve with the help of diagram.
- Q2. Explain three properties of indifference curves.
- Q3. Explain the effect of following on budget line:
 - (i) Increase in price of Y keeping price of X constant.
 - (ii) Increase in price of X and decrease in price of Y.
 - (iii) Increase in income of the consumer.
 - (iv) Simultaneous and same percentage increase in price of both the commodities.
- Q4. Explain the concept of consumer equilibrium with the help of a diagram.
- Q5. Under indifference curve analysis, a consumer achieves maximum level of satisfaction only at a level where the marginal rate of substitution becomes equal to the market rate of exchange (slope of budget line). Explain with the help of a diagram.

DEMAND AND LAW OF DEMAND

1 MARK QUESTIONS

- Q1. What do you mean by demand for a commodity?
- Q2. Price of one commodity increases as a result of which the demand for other commodity also increases. Comment on the relationship between the two commodities.
- Q3. An increase in income of the consumer leads to a decrease in quantity demanded for the commodity, comment on the nature of the commodity.
- Q4. State law of demand.

3 OR 4 MARKS QUESTIONS

- Q1. Explain the effect of change in price on demand for a commodity.
- Q2. How the demand for a commodity is affected by an increase in price of its substitute goods.
- Q3. How the demand for a commodity is affected by a increase in price of complementary goods.
- Q4. Why does the demand curve slopes downward?
- Q5. Differentiate between Normal goods and Inferior goods.
- Q6. Due to increase in competition between domestic aviation industries, the air fare for domestic travels has decreased. How it will affect the demand curve for domestic air travel in the country?
- Q7. There are train and bus services between New Delhi and Agra. Suppose that the bus fare between two cities comes down. How will this affect the demand curve for train services between the two cities?
- Q8. Differentiate between increase in demand and expansion in demand.
- Q9. Airtel and Nokia companies decide to introduce a combination package through which the mobile phone instrument and the call charges are provided at cheaper rates to the customers. How will this affect the market demand curve for Airtel Services?
 - (i) Due to lower call charges and
 - (ii) due to lower prices of handsets provided by nokia.
- Q10. In order to curb inflation the government has decided to provide basic necessities at a reasonable price to the consumer through fair price shops How it will affect the demand curve the commodities in the normal market.

6 MARKS QUESTIONS

- Q1. "With increase in income of the consumer the demand for the commodity always increases." Defend or refute the given statement.
- Q2. Explain the factors responsible for rightward shift in demand curve for the commodity.
- Q3. Explain the factors responsible for leftward shift in demand curve for the commodity.